

# **City of Sugar Land FY21 Budget Workshop**

## **Compensation & Benefits, Other Funds**

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**AUGUST 27, 2020**

# Workshop Format

- Review budget information
- Staff is keeping track of questions
  - Answer questions as we go
  - Identify areas for more information and follow up
  - Will provide a summary of answers to all
- Goal: provide information to allow for informed City Council decisions



# **Compensation & Benefits**

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**DIRECTOR OF HUMAN RESOURCES**

# Compensation Guiding Principles

- As adopted by Council, May 2013
- Recognize the value of our employees
- Pay on a competitive basis
- Fair and equitable compensation systems
- Recognize performance with merit pay
- Provide competitive benefits programs
- Evaluate total compensation by applying “benefits burden” test

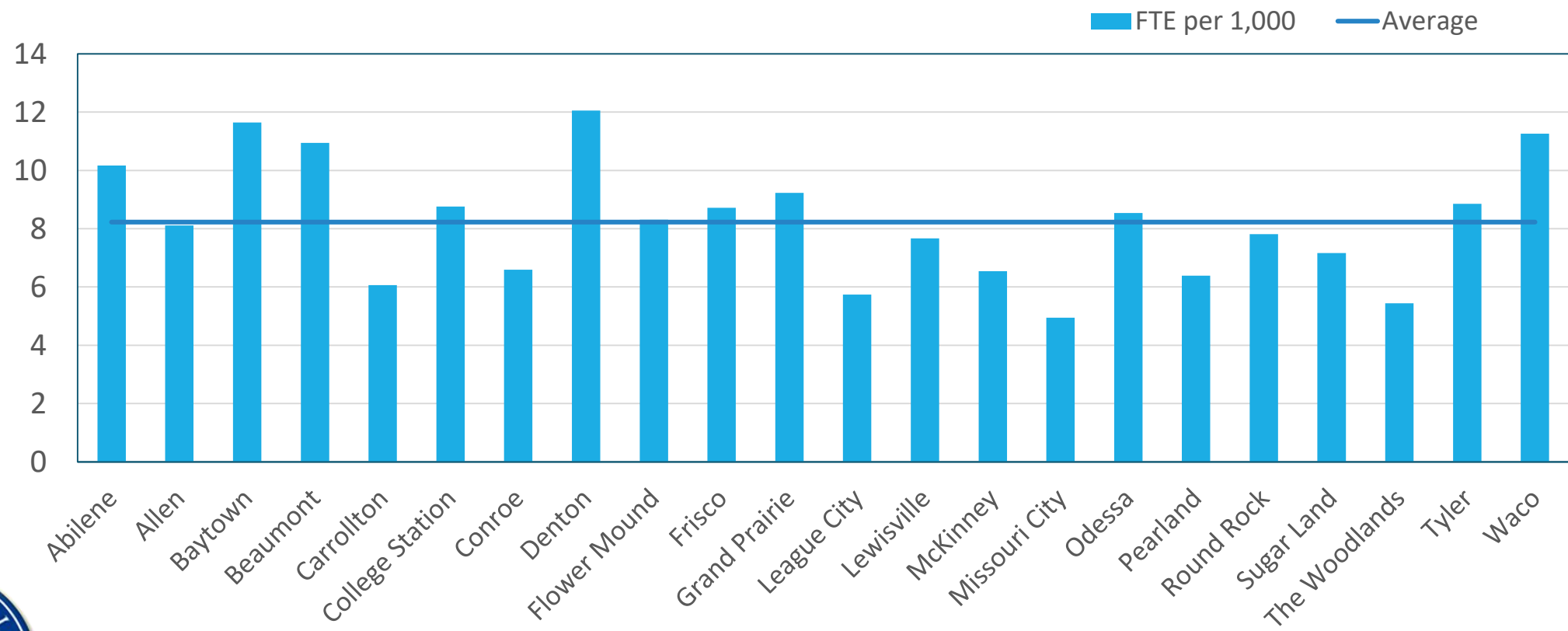


# Compensation & Benefits

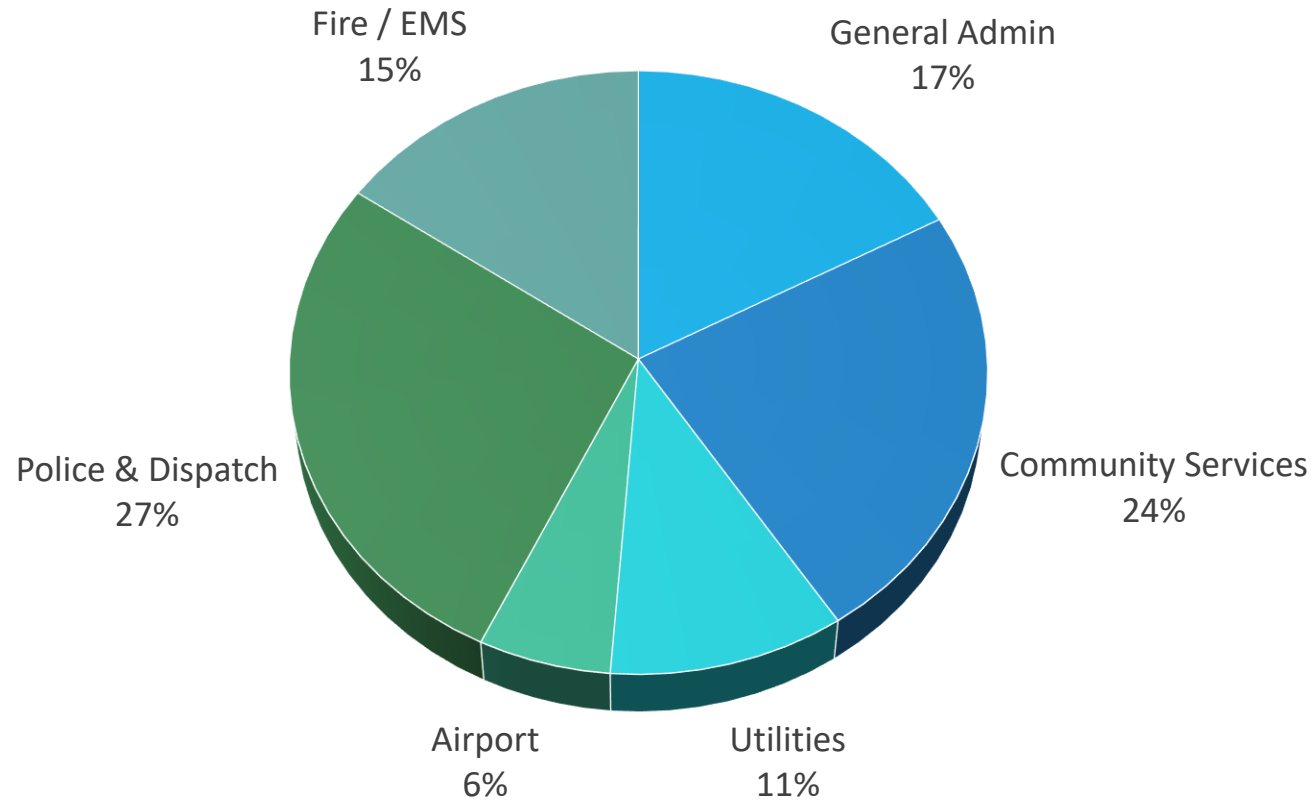
- Salary Structures
- Pay For Performance (Merit Pool)
- Texas Municipal Retirement System
- Group Health Benefits
- Benefits Burden



# Championship Workforce



# Employees by Service Area



# Non-Public Safety Salary Structures

## *Non-Exempt, Exempt & Management/Elected Officials*

- These salary structures are moved annually based on CPI
- CPI for February 2020 was 1.5%
- Salary structures will move accordingly
- No “across-the-board” adjustments to salaries
- Only salaries falling below the minimum of new range adjusted
- Effective mid-FY21, to be determined based on financial conditions





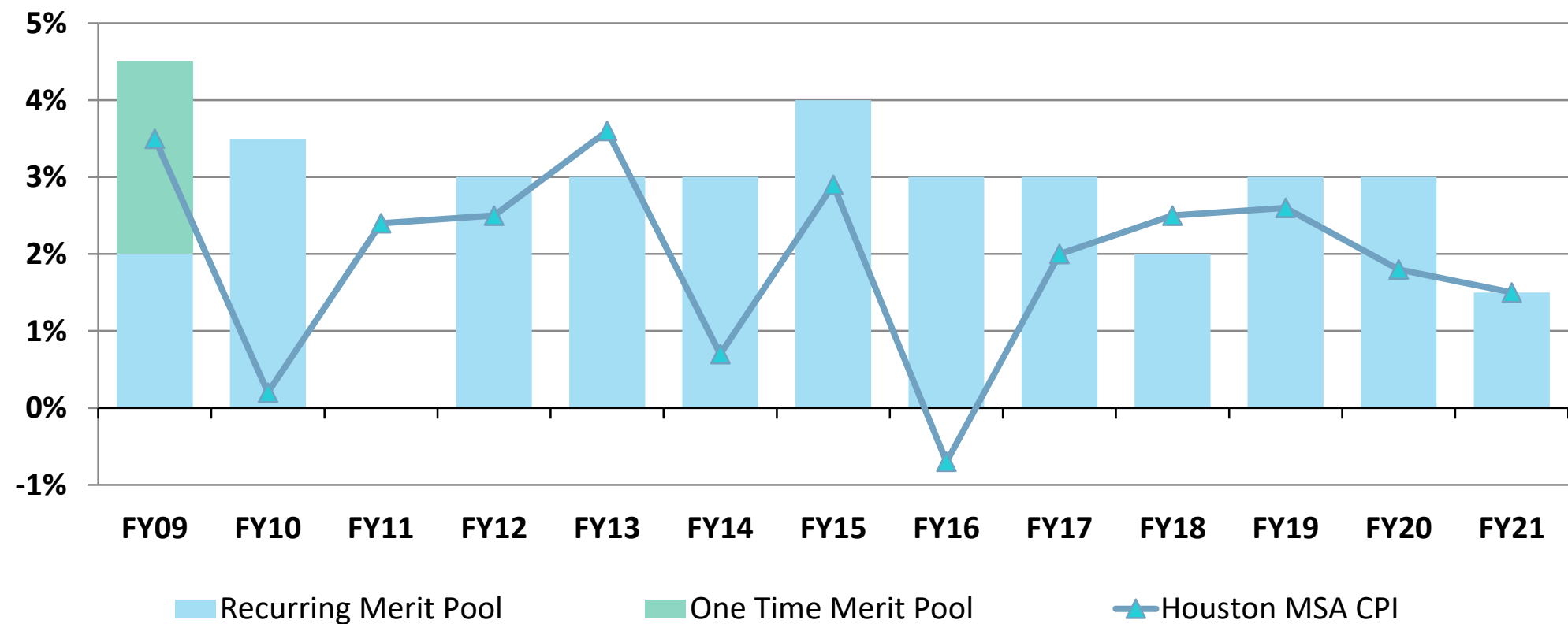
# Public Safety Salary Structures

## *Police & Fire*



- City's compensation philosophy states starting salaries for Police Officer & Firefighter should be 75th percentile of the benchmarks
  - Police Officer and Firefighter salary range will increase 5.0%
  - All other salary ranges will increase 1.5%
- No “across-the-board” adjustments to salaries
- Only salaries falling below the minimum of new range adjusted
- Effective mid-FY21, to be determined based on financial conditions



# Historical Merit Pool



# Texas Municipal Retirement System (TMRS)

- Contribution Rate for 2021: 14.57% (  from 14.76%)
- 2019 Funded Ratio: 89.5% (  from 88.5%)
- Opted out of Social Security System for all pension-eligible employees in 1980
- Other than TMRS, the only retirement savings option available by pre-tax deduction is participation in the 457 Deferred Compensation program (no matching contribution from the City)



# Group Benefits

- City Provided:
- Medical\*
  - KelseyCare HMO
  - High-Deductible Health Plan w/HSA
- Dental\*
  - DHMO & DPPO
- Flexible Spending Account (FSA) Admin
- Employee Assistance Program (EAP)
- Basic Life & Accidental Death/ Dismemberment (AD&D)
- Long-Term Disability (LTD)
- CariLoop (Caregiver Assistance)

- Optional Benefits\*\*
- Vision
- Cancer Indemnity
- Accident Indemnity
- Hospitalization Indemnity
- Critical Illness Indemnity
- Short-Term Disability
- Supplemental and Dependent Life & AD&D
- Legal Shield
- Flexible Spending Accounts

*\*Employees contribute towards coverage*

*\*\*Employees pay full premium for coverage*



# Group Benefits

## Medical:

- City will remain self-funded for medical claims and move into Year 5 of 5-Year contract with Cigna for TPA services for medical plan
- Budget is set to cover expected Medical & Pharmacy Claims, as well as continue to build reserve

## Dental & Voluntary Vision:

- Cigna has confirmed that we will be a no premium changes to both the Dental PPO and the Dental HMO
- Voluntary vision plan will have no change to premiums



# Group Benefits, Cont.

## Life & Disability:

- Rates will enter into Year 3 of a 3-Year guarantee period with Dearborn National/Blue Cross Blue Shield
- No changes to premium rates or plan designs

## Stop Loss:

- Contract will come to Council in November for Plan Year 2021; however, with our experience thus far, we are anticipating renewal premiums to come in below budgeted increases due to better than expected stop loss reimbursements year-to-date



# Benefit Trends – Total Per Capita Claims

<i>Plan Year</i>	<i>Total Claims</i>	<i>%Δ</i>	<i>5 Year Average</i>	<i>5 Year Nat'l Average</i>
2012	\$7,527	n/a		
2013	\$8,217	9.2%		
2014	\$9,928	20.8%		
2015	\$9,912	-0.2%	7.1% Average Trend	7.2% Average Trend
2016	\$10,028	1.2%		
2017	\$10,813	7.8%		
2018	\$12,912	19.4%		
2019	\$13,830	7.1%		
2020*	\$11,777	-14.8%		

\* Note: 2020 ANN = 1/1/20 to 7/31/20      National Average = Segal Health Care Cost Survey – Combined Medical and Pharmacy Trends



# Self-Funded vs. Fully Insured

Savings Compared to Fully Insured	
2012	\$915,760
2013	\$900,191
2014	\$150,954
2015	\$311,474
2016	\$270,352
2017	\$312,399
2018	-\$402,934
2019	\$625,600
YTD 2020	\$1,652,869

- Savings estimates projected based on an annual Fully Insured Premium amount
- 2020 YTD utilizes a monthly premium amount accrued over the last 7 months, then compared to the last 7 months of cost





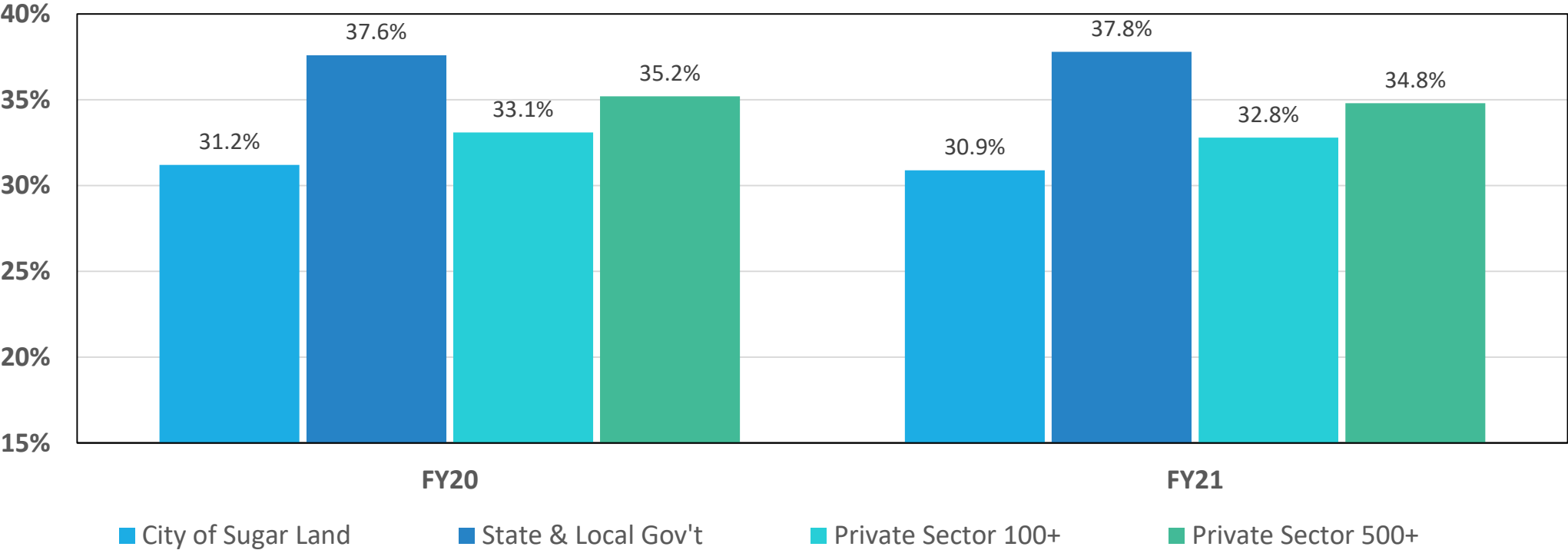
# Employee Benefits Funding

- No increases to the Benefits Fund Needed for FY21
- Employee and City contributions remain the same
- Plan design will remain the same
- Able to increase reserve for claims to 20% of estimated claims



# Benefits Burden

Benefits as a Percent of Total Compensation



# Internal Service Funds

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Employee Benefits Fund

Fleet Replacement Fund

Technology Replacement Fund

# Employee Benefits Fund

\$M	FY20 Projections	FY21 Budget
Revenues	\$ 14.20	\$ 14.22
Expenses	- 13.39	- 14.28
Net Income	0.81	- 0.05
Reserve for Claims	- 1.75	- 2.33
Ending Available Balance	\$ 0.80	\$ 0.17

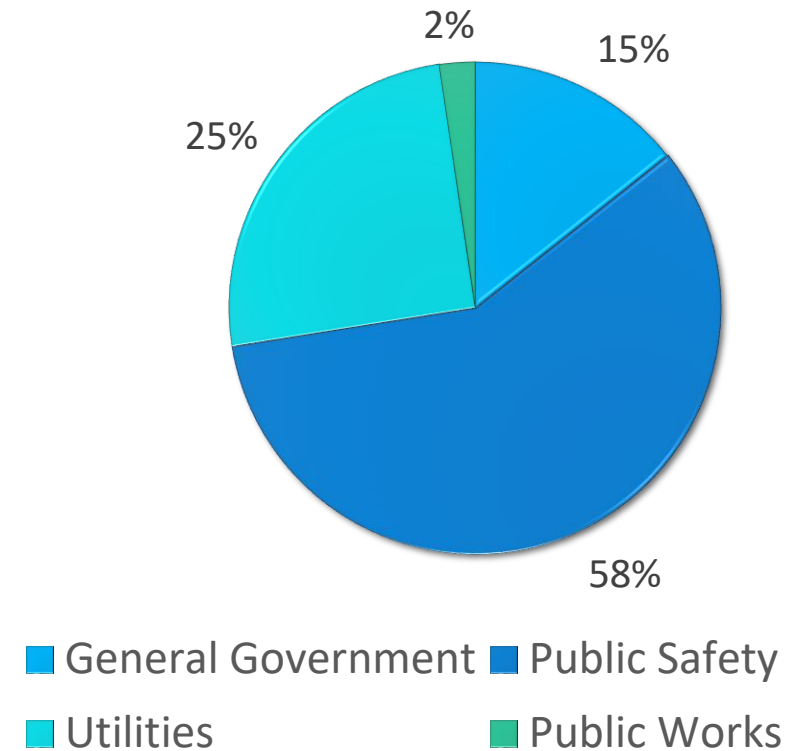
- No increase from City contributions, Employee contributions
- Increase Reserve for Claims to 20% in 2021



# FY21 - Fleet Replacement Strategy

- Reduced Transfer to the Fleet Replacement Fund by 75%
- Inter Fund loan of \$1.5 million to the General Fund
- Reduced replacement list from 46 Vehicles
  - 20 Vehicles identified in revised list
  - Emphasis on Public Safety Vehicles

## FY21 Fleet Replacement



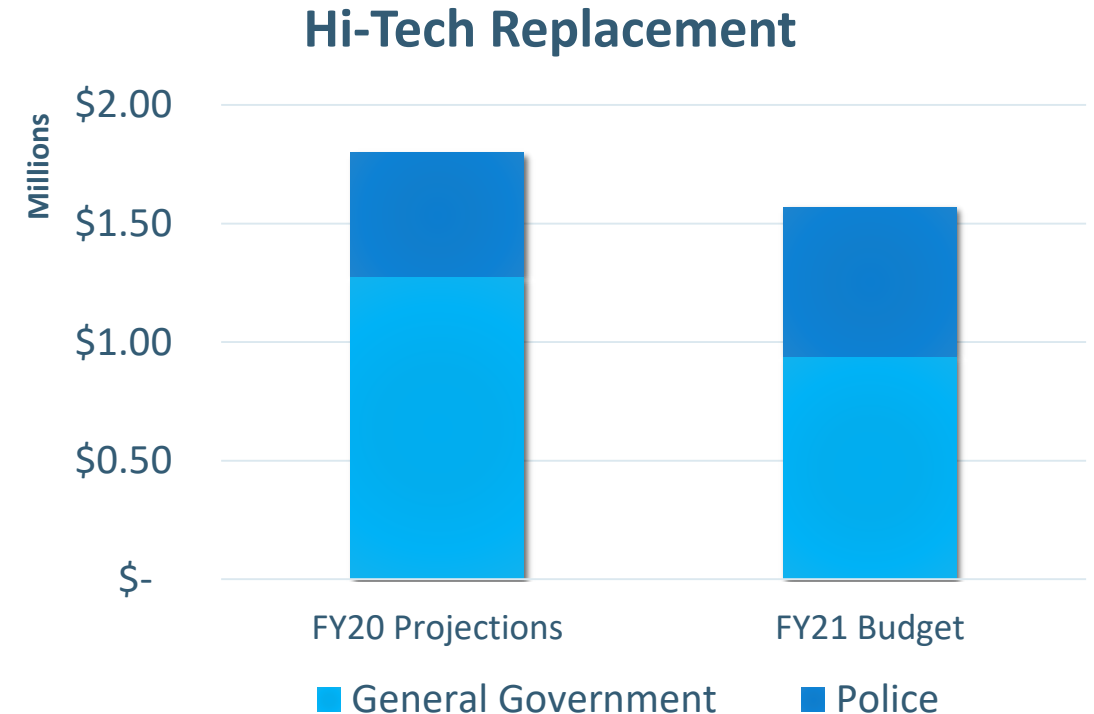
# Fleet Replacement Fund

\$M	FY20 Projections	FY21 Budget
Begin Balance	\$ 3.50	\$ 3.23
Revenues	1.94	0.99
Expenses	- 2.22	- 2.52
Net Income	- 0.27	- 1.54
End Balance	\$ 3.23	\$ 1.69



# FY21 - Hi-Tech Replacement Strategy

- Reduced transfer to the Hi-Tech Replacement Fund by 50%
- Revised replacement list was implemented based on technology needs
- Public Safety Items were funded in full
- General Government reduced
  - Computers
  - Communication Equipment



# Hi- Technology Replacement Fund

\$M	FY20 Projections	FY21 Budget
Begin Balance	\$ 2.64	\$ 2.19
Revenues	1.35	0.73
Expenses	- 1.80	- 1.57
Net Income	- 0.45	- 0.84
Ending Balance	\$ 2.19	\$ 1.35





# Economic Development Program

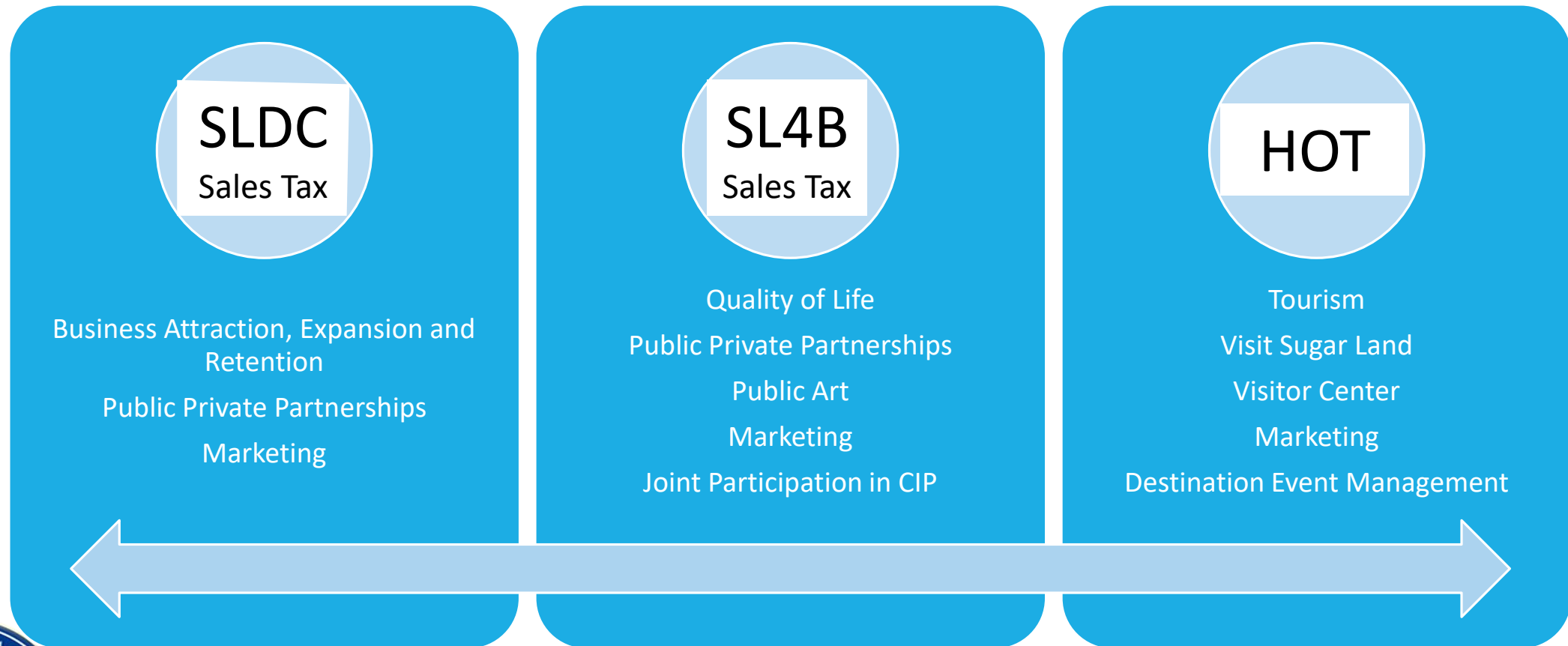
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Sugar Land Development Corporation

Sugar Land 4B Corporation

Tourism Fund

# Economic Development Program Funding



# Economic Development Sales Tax Overview

- Each Corporation funded through ¼ cent sales tax
  - Sugar Land Development Corporation (SLDC) : Type A
  - Sugar Land 4B Corporation (SL4B): Type B
- Funding restricted by the Economic Development Act
  - Voters can authorize use of Type A funding for Type B projects
    - US59 Widening (1998)
    - Entertainment District/ Performing Arts (2008)
- Main Purpose
  - Promote growth & diversification of the tax base
  - Support economic development and quality of life efforts



# Economic Development Corporation Budgets

- Key factors in FY20 projections & FY21 Budget
  - COVID-19 Impact on sales tax
    - Declines in Retail and Food & Entertainment Sectors
    - Revenue reductions offset by reductions in R4O
    - Support of Economic Development Functions normally funded by Hotel Occupancy Taxes (Tourism) who are now focused on business recovery



# Sugar Land Development Corporation (SLDC)

\$M	FY20 Budget	FY20 Projections	FY21 Budget
Revenues	\$7.71	\$ 7.48	\$ 7.17
Expenditures	-8.97	- 8.48	- 7.12
Net Income	-1.26	- 1.00	- 0.05
Ending Fund Balance	\$3.88	\$4.14	4.23
Over Policy	\$2.93	\$3.23	\$3.41



# SLDC FY21 Expenditures

	FY21 Budget
Economic Development Program	\$ 0.60
Economic Development Incentives	1.70
Contractual Services	0.01
Debt Service	4.05
Transfers to Other Funds	0.76
Total Expenditures	\$ 7.12



# SLDC - Five Year Forecast

\$ Millions	FY21	FY22	FY23	FY24	FY25
Revenues	\$7.17	\$8.06	\$8.25	\$8.54	\$8.79
<i>Reserve for Opportunities</i>	-	-	1.30	1.60	1.90
Expenditures (including R4O)	-7.13	-10.51	-8.23	-8.51	-8.80
Net Income	0.04	-2.45	0.02	0.03	0.01
Fund Balance - Ending	4.23	1.84	1.92	2.02	2.15
Policy Requirement (15% of ST)	0.83	0.95	0.97	1.00	1.03
Over Policy	\$3.41	\$0.90	\$0.95	\$1.02	\$1.12

\* Forecast excludes reimbursement for \$4.7M from TIRZ#3 for roadway infrastructure



# Sugar Land 4B Corporation (SL4B)

\$M	FY20 Budget	FY20 Projections	FY21 Budget
Revenues	\$6.68	\$ 6.42	\$ 5.89
Bond Proceeds	27.16	27.16	0
Expenditures	-37.07	-36.08	- 6.86
Net Income	-3.23	- 2.50	- 0.97
Ending Fund Balance	\$2.09	\$2.83	\$2.42
Over Policy	\$1.15	\$1.92	\$1.60





# SL4B Expenditures

	FY21 Budget
Economic Development Program	\$ 0.56
Contractual Services	0.01
Debt Service	3.02
Incentives	0.04
Reserve for Opportunities	1.70
Transfers to Capital Projects	0.65
Transfers to Other Funds	0.88
Total Expenditures	\$ 6.86



# SL4B Capital Projects

	FY21 Budget
Public Arts Project	\$ 250,000
Joint Participation in CIP	200,000
Landscape Replacement for Major Roadways and Enhancement	200,000
Total Expenditures	\$ 650,000



# SL4B Five Year Forecast

\$ Millions	FY21	FY22	FY23	FY24	FY25
Revenues	\$5.90	\$6.67	\$ 6.86	\$7.06	\$7.11
Reserve for Opportunities	1.70	3.00	3.00	3.00	3.10
Expenditures (incl R4O)	- 6.86	- 7.78	- 7.08	- 7.10	- 7.23
Net Income	- 0.97	- 1.10	- 0.22	- 0.04	0.12
Ending Fund Balance	2.43	1.54	1.52	1.59	1.60
Policy Requirement (15%)	0.83	0.95	0.97	1.00	1.03
Over Policy (after R4O)	\$ 1.60	\$0.59	\$0.54	\$0.58	\$0.57

\*Forecast excludes reimbursement from TIRZ#3 for \$7.8M for road infrastructure



# Overview - Tourism Fund

- Revenues From Hotel Occupancy Tax
  - City Collects Tax of 7% of Room Receipts
- Spending Restrictions:
  - At least 1/7 (1% of tax rate) on advertising
  - Max of 15% on arts programs
  - Max of 50% on historic preservation
- Restricted Use of Revenues
  - Promote tourism and the convention and hotel industry



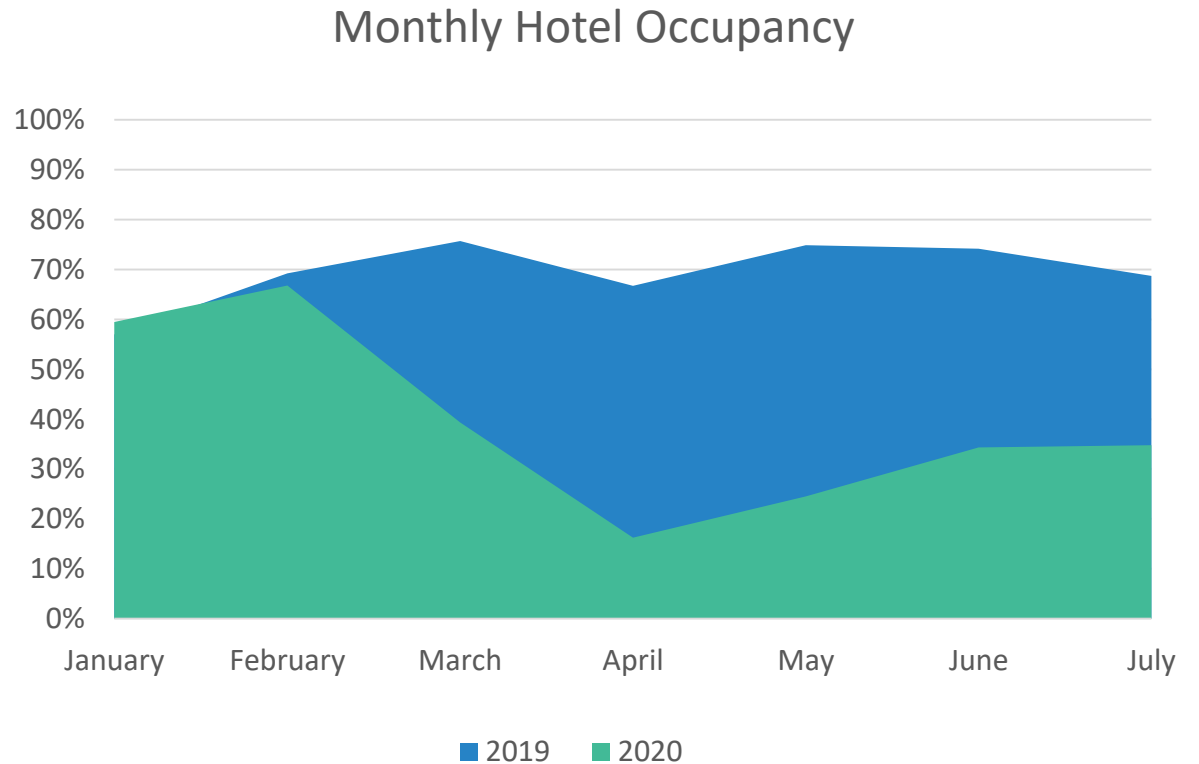
# Tourism Revenues – FY20 COVID Impact

- Hotels began seeing declines in occupancy in March 2020
  - Realized **20% decline** in 3rd Quarter revenues to date (Jan- Mar)
  - 2 hotels still outstanding
- Anticipating a **90% decline** in 4th Quarter revenues (Apr- Jun)
  - Currently out-performing projections
- Discretionary and business travel taking a significant impact
- Anticipate lesser but continued severe impacts in FY21



# Tourism: Hotel Occupancy Data – COVID IMPACT

Monthly Hotel Occupancy (%) YTD 2020 vs. 2019			
	2020	2019	% Change
January	59.5	57.0	+4.3
February	66.8	69.2	-3.5
March	39.3	75.7	-48.1
April	16.2	66.7	-75.7
May	24.5	74.9	-50.4
June	34.3	74.2	-39.9
July	34.8	68.7	-33.9



# FY20 COVID Impact & Financial Response

Expenditures	FY20 Savings
Tourism Program Reductions	\$ 0.378
Visitor Center Reductions	0.040
Cultural/Public Arts (Incl CIP)	0.088
Destination Event/Personnel	0.228
Total Savings Identified	\$ 0.734



# Tourism Fund – Immediate Corrective Actions

- Corrective Actions Carrying into FY21
- Support from Corporations for Tourism Program staffing
- Reduce Tourism Program funding
- Reduce Visitor Center funding
- No funding for Cultural Arts/Public Arts
  - SL4B to absorb 100% of Public Art funding in FY21





# FY21 Revenue Assumptions

- Estimate average of 37.5% decrease in hotel occupancy for FY21
- Compared to FY19 actuals for each hotel:
  - A 50% decrease October through March (Q1, Q2)
  - A 25% decrease April through September (Q3, Q4)
- Revenue impact is a 34% reduction compared to FY19 actuals
  - Due to new hotel anticipated to come on-line in FY21



# Tourism Fund

\$M	FY20 Budget	FY20 Projections	FY21 Budget
Revenues	\$2.47	\$ 1.88	\$ 1.62
Expenditures	-2.73	- 2.17	- 1.99
Net Income	-0.26	- 0.29	- 0.37
Ending Fund Balance	\$1.14	\$1.11	\$0.73
Over Policy	\$0.91	\$0.95	\$0.57

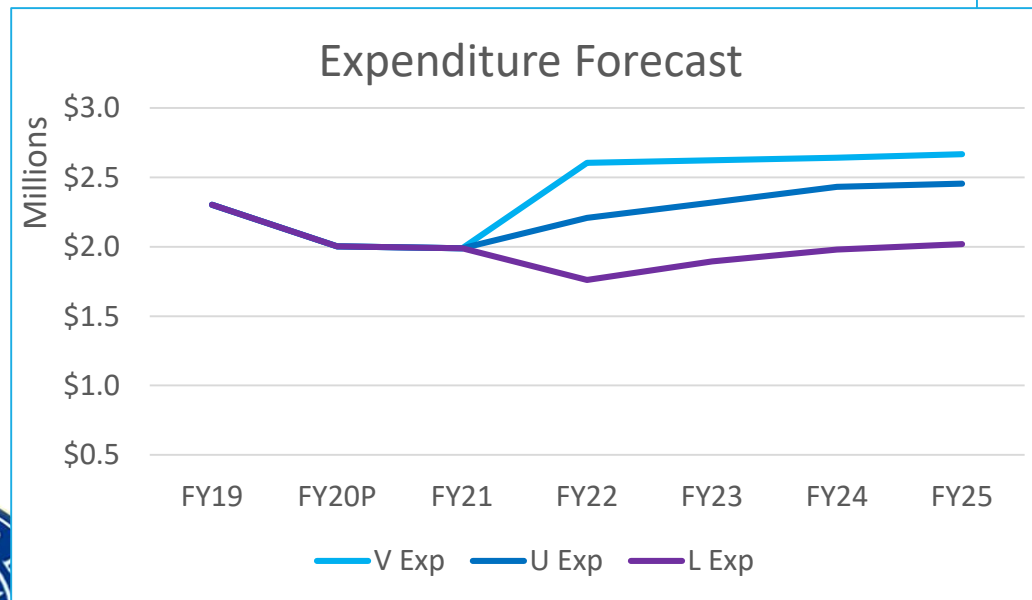
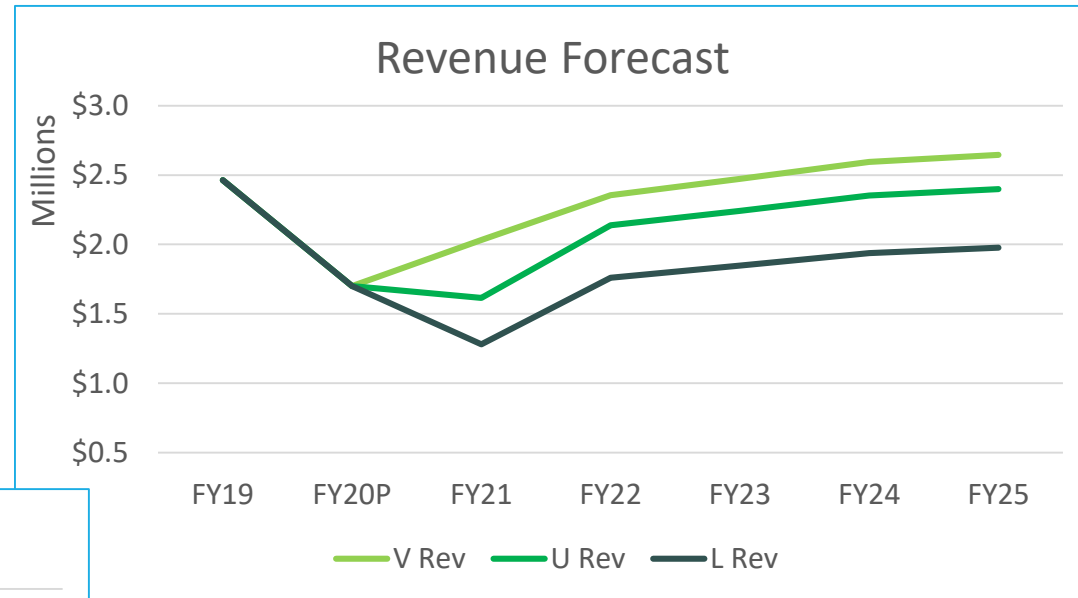


# Tourism Fund – Expenditures

\$M	FY21 Budget
<b>Expenditures</b>	
Tourism Program	\$0.388
Visitor Center	0.264
Transfers Out	1.341
Total Expenditures	\$1.993



# Tourism Scenarios



# Long Term Impact - Corrective Strategy

- Due to immediate corrective actions, we can address longer term downturn of hospitality industry strategically with time
- Impacts would affect future out years
- Analytical approach:
  - a) Timing of personnel costs back into Tourism Fund
  - b) Further critical management of program expenses
    - Note: FY21 Budget allows maintains a fund balance within policy
  - c) Potential SL4B support to cover debt service
- Continue to diligently monitor fund as quarterly revenues are received
- Continue to communicate with Sugar Land hotels on outlook



# Tourism Fund Five-Year Forecast

\$M	FY21	FY22	FY23	FY24	FY25
Revenues	\$1.61	\$2.14	\$2.24	\$2.35	\$2.40
Expenditures	-1.99	-2.15	-2.33	-2.45	-2.47
Net Income	-0.38	-0.01	-0.09	-0.09	-0.07
Fund Balance	0.73	0.72	0.63	0.54	0.47
Over Policy	\$0.57	\$0.51	\$0.41	\$0.30	\$0.23



**Special Events Fund  
Court Security Fund  
Court Technology Fund  
Law Enforcement Funds  
Debt Reduction Funds  
Enclave at River Park PID  
PEG Fund  
Animal Shelter Fund**

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## **SPECIAL REVENUE FUNDS**

# Special Events Fund

	FY20 Projections	FY21 Budget
Rental Fees	\$ -	\$ 17,200
Transfers In	50,000	91,443
SFC Parking Revenues	131,873	-
Total Revenues	182,123	108,843
Expenditures	- 88,779	- 221,443*
Net Income	93,344	- 112,600
Fund Balance	\$ 113,225	\$ 625

\*Includes \$130,000 from Smart Financial Centre at Sugar Land parking revenues for 4<sup>th</sup> of July event in 2021





# Court Security Fund

- \$3 per conviction for misdemeanor through 12/31/19
- New fee after 1/1/20 as a percentage of the \$10 consolidated court cost and \$4.90 per conviction
- Restricted to improving security at Municipal Court
  - Funds 40% of One Court Bailiff salary & benefits cost
  - Second Bailiff funded 100% from General Fund

	FY20 Projections	FY21 Budget
Begin Balance	\$ 18,703	\$ 14,869
Revenues	36,666	43,525
Expenses	- 40,500	- 40,636
Net Income	-3,834	2,889
End Balance	\$ 14,869	\$17,758



# Court Technology Fund

- \$4 per conviction
- Restricted to improving technology at Municipal Court
- Supports maintenance of Court software & technology

	FY20 Projections	FY21 Budget
Begin Balance	\$ 26,310	\$ 5,880
Revenues	36,658	35,920
Expenses	-57,088	- 34,138
Net Income	- 20,430	1,782
End Balance	\$ 5,880	\$ 7,662



# Law Enforcement Funds

	FY20 Projections	FY21 Budget
<b><u>State Seizures</u></b>		
Revenues	\$ 2,850	\$ 2,700
Ending Balance	322,348	325,048
<b><u>Federal Seizures</u></b>		
Revenues	3,455	400
Ending Balance	38,478	38,878
<b><u>Law Enforcement Fund</u></b>		
Revenues	70	125
Ending Balance	\$4,765	\$4,890



# Debt Reduction Funds

- Based on Strategic Partnership Agreements (SPA)
- Separate fund for each area
  - Riverstone
  - Tara Plantation- No SPA
- Revenue from out of City service fees
- Allowable use of funds defined in SPA



# Debt Reduction Funds

	FY20 Projections	FY21 Budget
<b><u>Tara Plantation</u></b>		
Revenues	\$ 46,850	\$ 59,023
Ending Balance	431,034	490,057
<b><u>Riverstone</u></b>		
Revenues	216,625	171,962
Ending Balance	\$ 1,003,953	\$ 1,175,915



# Enclave at River Park PID

- Supports infrastructure reimbursement to developer for a 54.5 acre tract through issuance of debt supported by an assessment to property owners in the district
- More efficient & cost effective than an in-city MUD
- Assessment levied to property owners of 139 platted lots
- 2019 Assessment \$740 per lot
- 2020 Assessment will be \$560 per lot



# Enclave at River Park PID

	FY20 Projections	FY21 Budget
PID Assessment	\$ 103,004	\$ 76,104
Transfer In/Interest Income	63,017	80,494
Total Revenues	166,021	156,598
Other Expenditures	- 50	- 75
Transfers Out - Debt Service	- 165,419	- 161,144
Total Expenditures	-165,469	162,219
Net Income	1,352	- 4,221
Ending Fund Balance	\$ 71,550	\$ 67,329



# Public, Educational & Gov't (PEG) Fund

- Public Education Grant- currently accounted for in General Fund
  - Recommend moving to new fund in FY21
  - Improve accountability of restricted revenues

## Revenue

- Established through Comcast Franchise Agreement
  - 5% of Gross Revenues Franchise Fee
  - 1% of Gross Revenues PEG Fee
  - FY21 Estimated Revenue - \$170,000
- Based on FY21 estimates of 6% Cable Franchise revenues of \$1.02 million

## Expenditures

- Municipal Television Station Programming Equipment





# Animal Shelter Donations Fund

- Improve tracking of donations- currently accounted for in General Fund
- FY21 Budgeted funds to be moved to new fund
  - Balance of prior year donations will be transferred to fund upon closeout of FY20
- Revenues from Donations to the Animal Shelter FY21
  - FY21 Estimated Revenue \$50,000
- Expenditures are restricted based on Donation Policy
  - FY21 Budgeted Expenditure - \$50,000
    - Use for enhanced operations of the shelter



# Solid Waste - HHW

- Follow-up discussion on HHW options



# Key Dates

Date	Action
Sept 1	Public Hearing on FY21 Proposed Budget First Reading of Fee Ordinance First Reading of PID Assessment Ordinance
Sept 8	Special Meeting – Public Hearing on Proposed Tax Rate ~ Must adopt tax rate within 7 days of public hearing
Sept 15	Amend FY20 Budget to Projections Vote to Adopt FY21 Budget, Five Year CIP and Comp Plans Vote to Adopt 2020 Tax Rate Vote to Ratify Tax Revenue in the Budget Second Reading of Fee Ordinance & PID Assessment

